

ECONOMIC GROWTH, AGRICULTURE AND TRADE

Pension Advisors Take On Poverty Among Elderly in Asia, Africa



IESC/Ukraine

Pension reform from a woman's perspective was the topic of a Ukrainian TV program, "Pension Reform: Step by Step," on March 8, 2003.

After a decade aiding Central European pension programs, U.S. specialists are extending their reach, assisting Indian planners and discussing pension reform in Africa.

USAID arranged a study tour to Poland and Sweden for Indian pension managers; they soaked up knowledge specific to pension systems.

About 90 percent of India's 400 million workers lack any pension coverage, and a great number work for informal enterprises that are hard to bring under a pensions umbrella.

Other Asian countries—such as China, Thailand, and Vietnam—are expected to get going on pensions before long, said Denise Lamaute, Senior Pension Reform Advisor in the Office of Poverty Reduction, Bureau for Economic Growth, Agriculture and Trade.

Workers in the large informal economies in such countries can't count on official old-age support, and traditional family-based safety nets are unraveling.

Africa represents even more of a challenge. The continent has "far more pressing problems," Lamaute said, who works as part of a poverty analysis and social safety net team.

HIV/AIDS adds a new urgency. But pension savings could make a big difference to surviving family members, especially children. For this and many other reasons, "Africa needs to begin looking at it," Lamaute said.

Old-age planning for Africans is on the agenda of an October training exercise in Egypt for economic growth officers in that region and Asia.

"These colleagues will probably be hearing about pension reform for the first time and saying, 'I didn't know we did this,'" said Lamaute.

In fact, USAID has lent expertise on pension systems since 1995. The Agency has worked with finance and labor officials across Europe and Central Asia, from fast-track economic heavyweights Poland and Hungary to Croatia, Macedonia, Latvia, Lithuania, Romania, Slovakia, Bulgaria, Montenegro, Kosovo, and Kazakhstan.

In developing countries and in advanced economies, dependable retirement plans are the best bulwark against poverty for the elderly.

Poland is now rolling along the pension reform path, with \$9 billion stowed up in financial assets and a solid legal and regulatory framework. So is Hungary, with \$1.4 billion in assets and millions of people enrolled in 401(k)-type private savings plans as of 2001.

These countries were the low-hanging fruit. They moved quickly to free markets after the Soviet Bloc came apart, and are expected to join the European Union.

When USAID got involved in Ukraine in 1998, pension checks were nine months behind, benefits were beneath the poverty level, and the pension deficit was nearly half a billion dollars. Another challenge was to hold costs down while shifting to private 401(k)-type plans. Advisors also needed to develop a legislative, regulatory, and administrative framework to manage a national pension system.

Information technology is a big piece of the solution, but managers and elected officials also need to decide how to invest pension funds.

USAID's services now focus on second-tier transition or developing economies in Asia and Africa.

"Every country has its complexity," said Lamaute. ★

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GLOBAL DEVELOPMENT ALLIANCE

Ukrainian Cities Learn Business Skills To Enter Modern World Market

KHARKIV, Ukraine—The region surrounding Kharkiv, a city of 1.5 million, needed a fresh start as giant industries that built nuclear turbines under the old Soviet Union laid off workers. USAID and private U.S. business groups helped provide the needed boost through business and economic development training.

In about 15 small cities in the region, an alliance formed by USAID with the Gillette Foundation and the International Executive Service Corps (IESC), has helped form economic development offices that promote business, seek new contracts, and try to boost sales.

In the Soviet era, Ukrainian businesses never had to market their wares. State monopolies meant that customers had no choice but to buy from state firms and accept whatever they produced.

New business psychology and skills have been introduced in this pilot project, with the help of a recently completed USAID economic development project and the \$600,000 alliance. Half the funds came from the Agency; the rest came from Gillette and IESC volunteers.

Izyum, a city in the region, was known for its optical production. Now it has several small firms making binoculars and eyeglasses. The economic development office, with the help of USAID, is providing internet and website marketing services to these new companies, said USAID program officer Bill Penoyar.

"The factories were there but the ability to market and grow benefited from the economic development office," he said. "These were communities that hadn't gotten help from anyone, including their own government."

"The program woke up our communities," said Viktor Sidorenko of the development office in Sakhnovshchina.

Since Gillette operates a distribution plant and sells products in Ukraine, it

agreed to assist the project through its foundation.

"We remain passionate about supporting the communities in which we do business," said John F. Manfredi, Senior Vice President for Corporate Affairs of the Gillette Company. "This project will clearly benefit business and, more importantly, the men, women, and families who seek financial stability within their communities."

Once communities agreed to create the new offices, IESC trained newly hired economic development officers in how to spot business opportunities and market a city to investors. The officers learned how to teach entrepreneurs' new skills, such as making business presentations or using the internet to buy and sell. More experienced officers taught the rookies how to develop a strategic plan for economic development.

One IESC volunteer expert from Idaho spent two months helping the economic development offices get organized, drafted a manual on office procedures and services, and provided feedback on the communities' economic development plans.

IESC volunteers also worked with the cities of Pryluky and Pavlohrad, near Kharkiv. Both were centers of military-industrial production during the Soviet Union, and are now in severe economic decline. The alliance helped them develop strategies for civilian commercial and economic development. During a recent conference, representatives from these cities noted their appreciation for the alliance's assistance and expressed new optimism for their future.

"The way the partnership links volunteerism with corporate community investment is a promising model," said Dan Runde, Senior Advisor in the Global Development Alliance Secretariat. ★

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A trade show organized by the Chuguev Economic Development Office brought together local manufacturers from all the participating cities to promote regional trade.